



ECONOMIC INDICATORS

JANUARY-FEBRUARY 2002

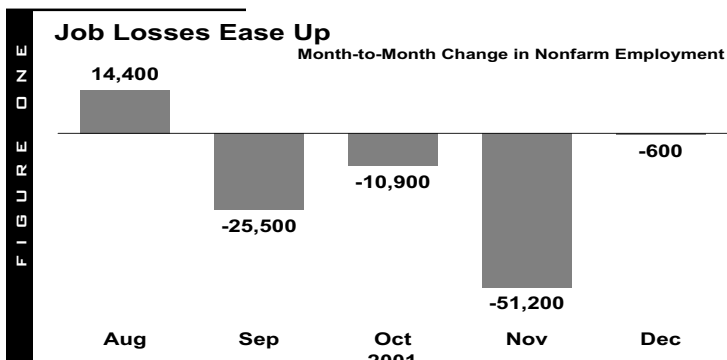
REVIEW OF RECENT ECONOMIC DEVELOPMENTS

After apparently feeling the effects of the national slowdown in November, California's economy fared better in December as industry employment held steady and the unemployment rate inched down. Residential construction also strengthened considerably.

EMPLOYMENT

EMPLOYMENT LOSSES EASE

Following three months with losses averaging over 29,000, California's industry employment fell by only 600 jobs in December. Performance was mixed across industries with no dominant loser or gainer. Government employment grew, as did construction and service jobs. Losses occurred in transportation, manufacturing, and wholesale and retail trade.

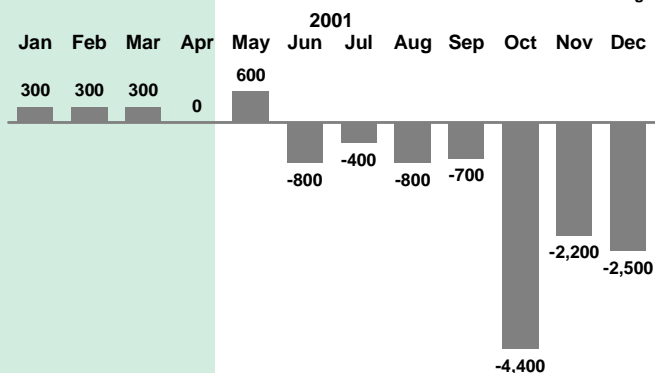


Government led the state in job growth again in December for the third consecutive month. In fact, California's private sector has not grown since April 2001. Local government (public schools) has accounted for over 80 percent of the public sector gains.

Manufacturing employment dropped 3,600 in December for the 13th consecutive month-over-month loss. In contrast to November when losses came from both electronics and construction-related industries, December's losses were almost entirely centered in electronics. Among nondurable goods manufacturers, fruit and vegetable processors shed the most jobs. On average, however, California manufacturers fared better than their counterparts in other states as 122,000 manufacturing jobs were lost nationwide in December.

September 11 Hits Hotels

Hotel & Motel Employment Month-to-Month Change



California's service sector, after cutting over 17,000 jobs in November, reversed course and added 1,000 jobs in December. Business services, which is dominated by computer programming and personnel supply firms, dropped 4,500 jobs, for the eighth consecutive month-over-month decline. However, this was a much smaller drop than November's. Hotel and lodging places shed 2,500 jobs. Even though the hospitality industry has been losing jobs for the past seven months, losses accelerated in the wake of September 11. Service employment gains

INSIDE

Economic Outlook	3
Economic Indicator Tables	7
Economic Indicator Charts ...	10
Chronology	14

were led by motion pictures—which lost jobs in October and November—and health, personal, and social services. Amusement and recreation, which suffered September 11-related losses in November, added 800 jobs in December.

On a year-over-year basis, total industry employment in California fell by 38,100, or 0.3 percent—the first year-over-year loss of the recession. Manufacturing lost 92,700 jobs, primarily in high technology electronics. Transportation and public utilities lost over 19,000 jobs, mostly in air transportation. Services lost over 18,000 jobs led by declines in business services (33,900), motion pictures (12,900), lodging (9,500), and amusement (9,200).

Government was the year-over-year job growth leader, adding 65,000 jobs. Wholesale and retail trade followed with 25,400 jobs. The finance sector also grew, adding 15,200, principally in banking and real estate.

California's unemployment rate dropped to 6.0 percent in December, one-tenth of a percentage point lower than November's revised rate. In the months leading up to December, unabated labor force growth helped push up the state's unemployment rate. However, as the economy slows and job opportunities diminish, the labor force typically shrinks. In December, even though employment, which is estimated from a limited survey of households, fell by 43,600, the total labor force—all persons willing and able to work—fell by 65,100. Thus, the number of persons unemployed fell by 21,600. The unemployment rate was 4.7 percent a year ago. Over the year, the national jobless rate has climbed from 4.0 percent to 5.8 percent.

Construction activity, which has had its ups and downs since September 11, sped up handily in December. Residential construction, measured by permitted units, jumped 21 percent, with gains in both single and multi-family sectors. Single-family home construction rose 13.3 percent while the more volatile multi-family sector rose 40.5 percent.

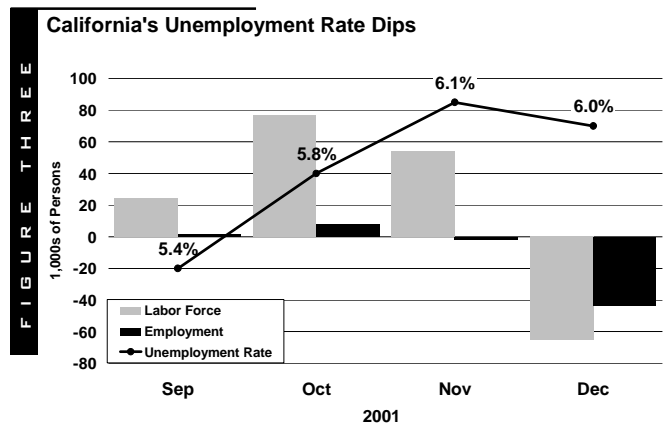
Following a drop in November, nonresidential construction, measured by permit values, held steady in December. Increased industrial building and office construction offset reduced store and amusement place construction.

Home sales have followed a similar see-saw pattern in recent months. A strong August was followed by a serious slowdown in September—the slowest month for home sales in California since the end of 1995. A modest recovery in October was sustained in November only to be followed by a weak December.

Sales of existing single-family homes in December were down 3.9 percent from December 2000. The median price of single-family homes sold in December, \$276,940, was down slightly from November, but was still 11.5 percent above the year ago reading.

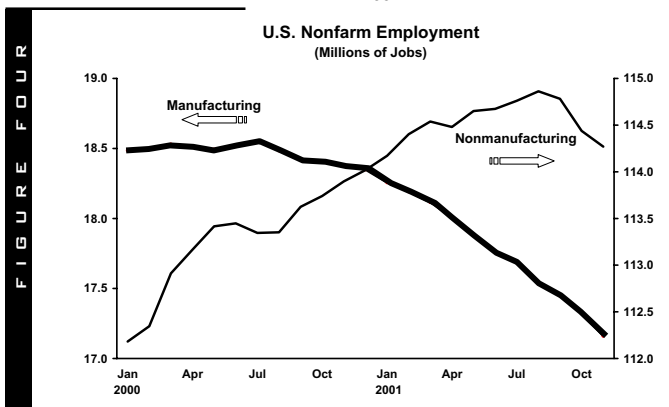
For the year 2001 as a whole, the median price of single-family homes rose 9.7 percent over 2000, while unit sales declined 5.8 percent.

LABOR FORCE FALL DECLINES UNEMPLOYMENT RATE DIPS



BUILDING ACTIVITY

RESIDENTIAL CONSTRUCTION JUMPS 21 PERCENT



REAL ESTATE

HOME SALES SLIDE IN DECEMBER

2002-03 ECONOMIC OUTLOOK

The following is from the Governor's 2002-03 Budget. The forecasts were prepared in late November 2001 and are based on information available at that time.

The national and California economies slowed in 2001, burdened by declining capital spending, a cooling stock market, struggling foreign economies, and the September 11 terrorist attacks. The national economy slipped into recession in March, closing the books on the record-long economic expansion. Federal Reserve interest rate cuts, tax cuts, and increased military spending have kept the recession mild. With additional doses of fiscal and monetary policy in 2002, the national economy should begin to recover by midyear.

California fared better than most of the nation. For example, percentage job growth was much higher in the state than in the nation. Still, only about half as many new jobs were created in 2001 as in 2000. As a result, unemployment ended the year higher than it began. Like the national economy, the state economy should begin to rebound by midyear.

California fell short of the nation by one measure in 2001—personal income growth. However, it was the stock market rather than the slowing economy that was responsible. In less than a decade, California personal income and, in turn, state tax revenues have become much more sensitive to swings in the stock market.

The national economic expansion had already slowed considerably as it entered 2001. Hopes that economic growth would settle into a more moderate, but sustainable pace were dashed as the economy decelerated throughout the year. Output grew only slightly in the second quarter, fell modestly in the third quarter, and appears to have fallen more sharply in the fourth quarter. So far, the recession has been mild relative to national recessions in the 1970s and 1980s.

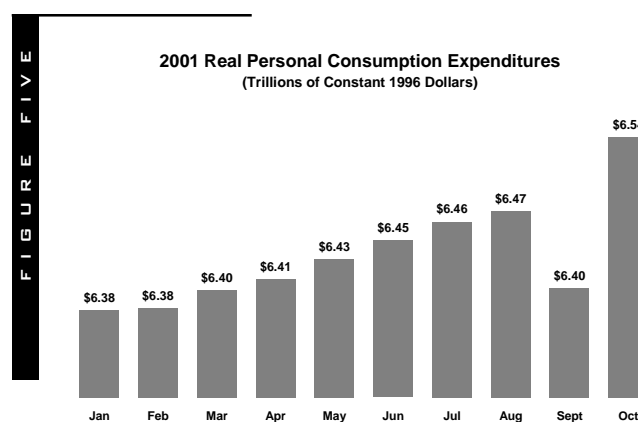
A number of developments combined to end the long expansion. Capital investment plunged in the second quarter of 2001 when businesses discovered that they had more than enough new equipment and software after investing heavily leading up to Y2K. Also, many dot-coms, intense users of high-tech equipment and software, had failed as investors soured on them. As demand for high-tech equipment and software fell, the profits of equipment manufacturers and software producers plummeted along with their (in many cases) inflated share prices. Contagion pushed down the share prices of other high-tech companies, and soon the NASDAQ bubble was burst. At the same time, major foreign markets for American goods were slowing, in step with the U.S. economy. Struggling economies, declining equity prices, and deteriorating labor markets took a toll on consumer confidence. The September 11 attacks accelerated the economy's decline and may well have sealed the fate of the expansion.

The recession's toll on the labor market is clear. Unemployment began 2001 at 4.2 percent; by November, it was up to 5.7 percent. New claims for unemployment insurance benefits trended upward during the first eight months of the year, and jumped to over 500,000 after the September 11 attacks before falling back somewhat as year-end neared. Manufacturing employment continued a decline that began in July 2000, with job losses totaling about 1.4 million. Non-manufacturing employment, on the other hand, continued to grow until August 2001 before dropping about 600,000 (Figure 4). While the recession remained concentrated in manufacturing, it had clearly spread to other industries by year-end.

Unlike the early-1990s recession, which was sometimes referred to as the "English-speaking recession," most of the other major world economies are sharing in the misery this time. In the third quarter of 2001, the economy contracted in Japan, Germany, and Canada and expanded only modestly in the United Kingdom, France, and Italy. Thus, the United States cannot count on much help from abroad as it tries to recover. Any increase in domestic demand is likely to contribute to a larger trade deficit and lower domestic output growth than would be the case if other economies were growing.

THE NATION — ALL
GOOD THINGS
COME TO AN END
— . . . —

On the positive side, consumers continued to spend despite steep losses in household stock market wealth and the attacks of September 11. Enticed by factory incentives, consumers pushed light vehicle sales to a record level of more than 21 million units at an annual rate in October, followed by a robust rate of 18 million units in November. Personal consumption expenditures reached record levels in October in part because of the strong auto sales (Figure 5). In the face of a deteriorating economy, consumers have not pulled back as much as in earlier recessions.



The Federal Reserve was no less persistent, cutting short-term interest rates 11 times in 2001, trying to keep the expansion alive. In all, the central bank lowered the federal funds rate from 6.5 percent at the beginning of the year to 1.75 percent in December. The full economic impact of the cuts will not appear until the middle of 2002. (It can take time for a change in monetary policy to influence the economy because consumers and businesses have to evaluate how the changed financial environment affects them.)

Tax cuts and spending increases also stimulated the economy in 2001, and more are planned for 2002. The IRS mailed approximately \$40 billion in tax rebates to households during the third quarter, providing a timely boost to consumers. Congress approved emergency spending of \$40 billion for recovery efforts, national security, and assistance to airlines in the wake of the September 11 attacks. The House of Representatives approved a three-year \$218 billion economic stimulus package at year end, but the Senate adjourned without taking a vote on it. This package included a cut in marginal tax rates for households, accelerated depreciation for business, and increased assistance to unemployed workers. Congress could reconsider the package when it reconvenes in January if economic conditions have deteriorated. Separate from the stimulus plan is a \$42 billion increase in military spending—the biggest increase in two decades.

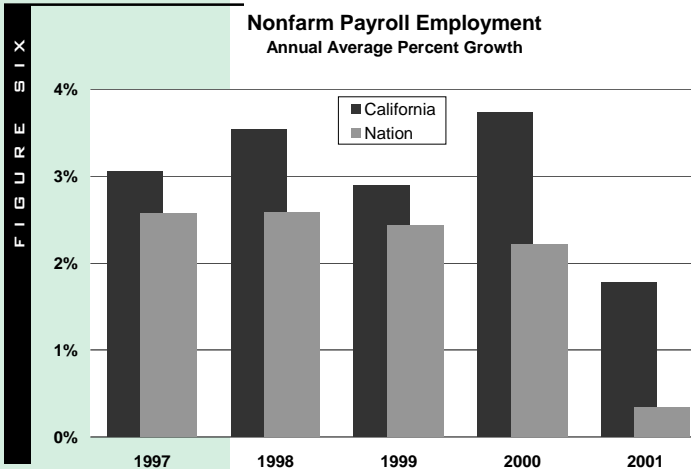
Declining oil and gasoline prices boosted consumer purchasing power near the end of 2001. Much like a tax cut, lower energy prices allow households and businesses to increase their purchases of other goods and services.

As the expansionary effects of monetary and fiscal policy and lower energy prices work their way through the economy, and businesses continue to trim undesired inventory, the downturn should slow. Barring another confidence-shattering event, some of the jobs lost in businesses directly affected by the September 11 attacks—airlines, restaurants, and lodging—should be restored as consumers regain confidence in public safety.

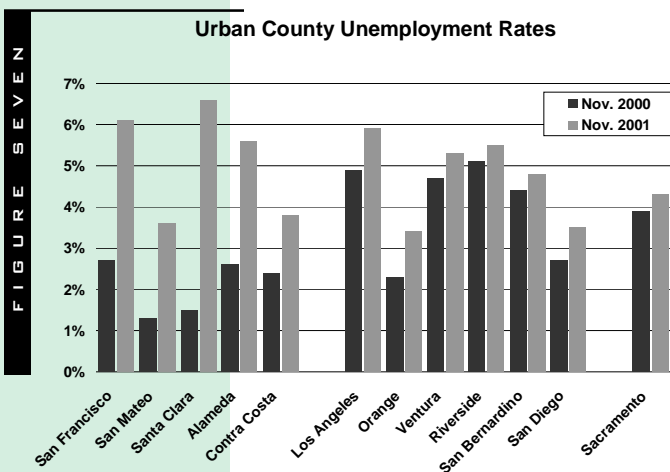
The main risks to the outlook are consumers losing confidence before the economy begins to turn around and a protraction of the high-tech recession. If consumers lose faith, the recession will be deeper and longer. An extended high-tech recession might not delay the recovery, but it would take some steam out of it.

Barring these risks, the downturn should end by midyear 2002. The recovery may be tepid at first, particularly if capital spending is late in rebounding. However, by the fourth quarter of 2002, economic growth should be quite strong. Unemployment will continue to rise after the economy has begun to recover, especially if the recovery is slow initially. Employers usually wait to expand payrolls until they are quite certain that a recovery is under way. The national forecast is summarized in Figure 10 at the end of this section.

California's economy slowed in 2001, but fared better than most other state economies. Job growth slipped to 1.8 percent in the state while falling to 0.3 percent in the nation (Figure 6). Cutbacks by manufacturers of electronic components, builders, firms providing computer programming and related services, and companies providing personnel supply services, along with slower job growth in retailing, accounted for over half of the drop in job growth in the state. Steady gains in local education moderated the decline in overall jobs. State unemployment rose from 4.6 percent in January 2001 to 6.0 percent in November, a smaller jump than in the nation.



The state's job losses were concentrated in the San Francisco Bay Area, home to most of the state's dot-coms and high-tech firms. Unemployment in Santa Clara County jumped from 1.5 percent in November 2000 to 6.6 in November 2001. The increase in San Francisco County was also large: 2.7 percent to 6.1 percent. Unemployment also rose in Southern California and Sacramento County but much more moderately (Figure 7).



Exports of California-made merchandise fell in the first three quarters of 2001 as the economies of many of the state's major trading partners slowed. The Canadian, Mexican, Japanese, German, Taiwanese, and Dutch economies contracted in the third quarter of 2001, for example. All except Japan were growing a year earlier—Canada, Mexico, and Taiwan very quickly. Only China continued to grow strongly as a major market for California exports (Figure 8).

The September 11 terrorist attacks dealt a severe blow to California tourism. Airlines, restaurants, lodging, and shopping have been most adversely affected. Big-city markets, which rely more on out-of-state and foreign visitors, have fared worse than suburban and rural tourism. The industry bounced back somewhat by the end of the year but was still operating below year-ago levels.



Construction slowed in the state during 2001. Permits issued for new housing units in the first 11 months were slightly below the year-ago level, and the dollar valuation of private nonresidential building permitted was down almost 9 percent. Industrial permits were sharply lower.

As in the rest of the nation, monetary and fiscal policy, lower energy prices, and earlier inventory paring will buoy the California economy in the first half of 2002. Improved confidence in public safety should boost the state's tourism industry. As with the rest of the nation, the main risks to the outlook are a sharp retrenchment by consumers and a deepening and extension of the high-tech recession. With its significant high-tech sector, California is more at risk to the latter than the nation. Barring these problems, a rebound should start about midyear. On an annual average

basis, job growth is forecast at 0.3 percent, although gains on a year-end 2001-02 basis may be closer to 1 percent. The California forecast is summarized in Figure 10 at the end of this section.

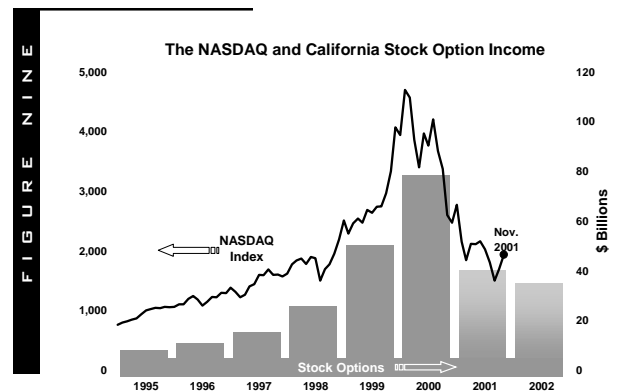
After growing almost 10 percent in 2000, California personal income advanced only 1.4 percent in 2001. This was a much sharper swing than occurred in job growth. More than a slowing economy was at work: bonuses and stock option income, which are part of total wage and salary income and, thus, personal income, fell sharply in 2001 after growing very strongly in 2000. (Realized capital gains on stocks also fell sharply and cut into State tax revenues. Capital gains, however,

are not part of income in the official economic statistics and, thus, are not considered here.)

The big increase in bonuses and stock option income in 2000 was the last of a five-year string of strong gains. Bonuses and stock option income grew from \$8 billion, or 2 percent of total wages and salary income, in 1995 to \$79 billion, or 12 percent of total wage and salary income, in 2000 (Figure 9).

Two developments fueled this fast growth: soaring stock prices and the rapid adoption by companies—especially high-tech companies and dot-coms—of stock options as part of employee compensation. Employees like stock options because of the possibility that the options could become very valuable if the company is successful or is judged by stock analysts to have great potential. Companies like stock options because they motivate employees to work extremely hard, tie employees to the company for a number of years until their options become exercisable, and improve profitability in the short run by reducing the need for cash wage payments.

In fact, some employees did reap handsome gains as high-tech and dot-com stocks soared in value in the second half of the 1990s. The tech-heavy NASDAQ Composite stock index appreciated over 900 percent. But stock prices peaked in early 2000, and the plunge that followed wiped out much of the prior two years' gains. The tech and dot-com stocks were hit particularly hard; the



NASDAQ lost nearly 70 percent of its value between February 2000 and September 2001. Many employee stock options became worthless, especially recently awarded ones, and estimated stock option income fell to \$41 billion in 2001.

The rapid rise in bonuses and stock option income between 1995 and 2000 and their collapse in 2001 account for much of the volatility in total wages and salaries during this time. In 1998, the increase in bonuses and stock option income accounted for 25 percent of the increase in total wages and salaries; in 1999, it was 51 percent; and in 2000, 39 percent. Even more eye-opening, the decline of bonus and option income in 2001 more than offset the increase in wage and salary income from all other sources.

It is unlikely that bonus and stock option income will create so much volatility in both total personal income and state tax revenues in the coming years. The bubble in tech and dot-com stocks was a critical ingredient in the recent experience, and for one bubble to be closely followed by another is unlikely. It should be clear now that it is possible for tech companies and dot-coms to lose money and even fail. A more rational assessment of the prospects of tech companies and dot-coms is likely going forward.

Selected Economic Data for 2001, 2002, and 2003

		Forecast	
United States	2001	2002	2003
Real gross domestic product (1996 dollar, percent change)	1.1	0.5	4.4
Personal consumption expenditures	2.8	1.2	4.0
Gross private domestic investment	-7.3	-2.5	7.3
Government purchases of goods and services	3.4	3.0	2.0
GDP deflator (1996=100, percent change)	2.3	1.6	2.0
GDP (current dollar, percent change)	3.4	2.1	6.6
Federal funds rate (percent)	3.93	2.41	4.53
Personal income (percent change)	5.0	2.6	5.6
Corporate profits before taxes (percent change)	-16.4	-3.5	14.3
Nonfarm wage and salary employment (millions)	132.2	131.5	132.9
(percent change)	0.3	-0.5	1.1
Unemployment rate (percent)	4.8	6.2	5.7
Housing starts (millions)	1.59	1.57	1.51
(percent change)	0.9	-1.1	-3.8
New car sales (millions)	8.3	7.3	8.0
(percent change)	-6.0	-12.3	9.0
Consumer price index (1982-84=100)	177.2	180.5	184.4
(percent change)	2.9	1.8	2.2
California			
Civilian labor force (thousands)	17,363	17,500	17,828
(percent change)	1.6	0.8	1.9
Civilian employment (thousands)	16,463	16,410	16,770
(percent change)	1.3	-0.3	2.2
Unemployment (thousands)	900	1,089	1,058
(percent change)	6.7	21.1	-2.9
Unemployment rate (percent)	5.2	6.2	5.9
Nonfarm wage and salary employment (thousands)	14,770	14,812	15,168
(percent change)	1.8	0.3	2.4
Personal income (billions)	\$1,110.3	\$1,139.3	\$1,224.7
(percent change)	1.4	2.6	7.5
Housing units authorized (thousands)	142	145	149
(percent change)	-5.0	2.4	2.6
Corporate profits before taxes (billions)	\$89.5	\$88.6	\$97.6
(percent change)	-9.9	-1.0	10.1
New auto registrations (thousands)	1,762	1,614	1,628
(percent change)	0.7	-8.4	0.9
Total taxable sales (billions)	\$432.8	\$436.4	\$469.1
(percent change)	-2.0	0.8	7.5
Consumer price index (1982-84=100)	182.0	185.1	188.5
(percent change)	4.1	1.7	1.8

Note: Percentage changes calculated from unrounded data.

SELECT INDICATORS

EMPLOYMENT

EMPLOYMENT (Seasonally adjusted)

	2001				2000	Yr-Over-Yr % Change
	Dec	Nov	Oct	Sep	Dec	
Civilian employment (000)	16,435	16,479	16,481	16,473	16,435	0.0
Unemployment (000)	1,052	1,073	1,017	948	816	28.9
Unemployment rate	6.0	6.1	5.8	5.4	4.7	--
Nonagricultural wage and salary employment (000)	14,720.7	14,721.3	14,772.5	14,783.4	14,758.8	-0.3
Mining	23.1	23.1	23.0	23.1	23.4	-1.3
Construction	748.2	745.6	756.2	758.4	761.4	-1.7
Manufacturing	1,860.5	1,864.1	1,874.3	1,886.4	1,953.2	-4.7
Durable	1,158.5	1,161.0	1,172.5	1,181.9	1,231.1	-5.9
High technology a/	484.2	485.2	490.6	494.9	519.9	-6.9
Computer and office equipment	88.4	88.6	90.2	90.7	94.7	-6.7
Communications equipment	40.1	40.1	40.8	41.0	43.5	-7.8
Electronic components	152.4	152.8	154.7	155.7	168.5	-9.6
Aircraft and parts	67.3	67.6	68.5	69.8	72.7	-7.4
Missiles, spacecraft, and parts	19.9	20.0	20.3	20.5	21.1	-5.7
Search and navigation equipment	48.4	48.3	47.9	48.4	48.2	0.4
Measuring and controlling devices	67.7	67.8	68.2	68.8	71.2	-4.9
Nondurable	702.0	703.1	701.8	704.5	722.1	-2.8
Transportation and public utilities	740.6	744.6	755.6	760.4	759.7	-2.5
Trade	3,361.4	3,362.4	3,371.3	3,374.9	3,336.0	0.8
Wholesale	848.0	850.8	854.2	851.9	842.9	0.6
Retail	2,513.4	2,511.6	2,517.1	2,523.0	2,493.1	0.8
Finance, insurance, and real estate	846.2	846.0	843.9	843.8	831.0	1.8
Services e/	4,733.4	4,732.4	4,749.5	4,751.8	4,751.8	-0.4
Business services	1,396.9	1,401.4	1,412.5	1,413.3	1,430.8	-2.4
Motion pictures	182.2	178.4	182.1	184.5	195.1	-6.6
Amusement and recreation services	209.1	208.3	211.7	211.6	218.3	-4.2
Engineering and management consulting	484.4	482.9	480.1	480.2	482.2	0.5
Government	2,407.3	2,403.1	2,398.7	2,384.6	2,342.3	2.8
Federal	256.2	258.2	258.9	258.7	260.3	-1.6
State and local	2,151.1	2,144.9	2,139.8	2,125.9	2,082.0	3.3

HOURS & EARNINGS

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	41.7	40.9	40.9	41.2	42.2	-1.2
Average weekly earnings	\$621.33	\$607.37	\$604.91	\$610.17	\$611.90	1.5
Average hourly earnings	\$14.90	\$14.85	\$14.79	\$14.81	\$14.50	2.8

CONSUMER PRICES

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

All Urban Consumers Series						
California Average	181.8	n.a.	183.0	n.a.	177.3	2.5
San Francisco CMSA	190.6	n.a.	191.7	n.a.	184.1	3.5
Los Angeles CMSA	177.1	178.1	178.3	178.8	173.5	2.1
Urban Wage Earners and Clerical Workers Series						
California Average	174.6	n.a.	175.9	n.a.	170.6	2.3
San Francisco CMSA	186.5	n.a.	187.5	n.a.	180.2	3.5
Los Angeles CMSA	169.7	170.7	171.0	171.5	166.7	1.8

CONSTRUCTION

CONSTRUCTION

Private residential housing units authorized (000) b/	175.2	139.9	142.2	118.4	165.4	5.9
Single units	113.8	98.5	96.4	98.3	118.4	-3.9
Multiple units	61.3	41.4	45.8	20.1	47.0	30.5
Residential building authorized valuation (millions) c/	\$2,666	\$2,218	\$2,493	\$1,880	\$2,628	1.5
Nonresidential building authorized valuation (millions) c/	\$1,218	\$1,211	\$1,268	\$1,109	\$1,665	-26.9
Nonresidential building authorized valuation (millions) d/	\$1,081	\$1,019	\$1,366	\$1,250	\$1,480	-27.0
Commercial	289	314	453	412	549	-47.4
Industrial	161	77	96	115	212	-23.8
Other	203	197	244	281	183	11.1
Alterations and additions	427	431	573	442	536	-20.3

AUTO SALES (Seasonally adjusted)

New auto registrations (number)	n.a.	162,450	143,056	133,222	131,059	--
---------------------------------	------	---------	---------	---------	---------	----

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

e/ Only select industry components are shown therefore will not add to total.

n.a. Not available

SELECT INDICATORS (CONTINUED)

VACANCY RATES

VACANCY RATES FOR 4TH QUARTER 2001 (Percent)

(Percent)	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Oakland-East Bay	11.4	10.2	11.7	--
Sacramento	8.1	4.6	9.1	13.2
San Francisco	16.1	14.9	19.0	9.9
San Jose	14.5	10.6	15.6	--
Southern California:				
Los Angeles Metro	12.1	13.7	11.8	10.5
Orange County	14.9	--	14.9	--
San Diego	9.7	8.3	10.0	6.2
Ventura County	11.9	--	11.9	--
National Average	13.1	11.0	14.4	10.1

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2000				2001			
Jan	\$226,870	Jul	242,100	Jan	\$244,110	Jul	267,280
Feb	227,160	Aug	254,690	Feb	244,870	Aug	277,430
Mar	233,140	Sep	246,530	Mar	262,050	Sep	275,380
Apr	237,060	Oct	251,220	Apr	256,020	Oct	272,320
May	240,470	Nov	250,660	May	253,930	Nov	274,680
Jun	243,100	Dec	248,350	Jun	267,050	Dec	276,940

LEADING INDICATORS/A

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.7	41.5	67,377	4,713	90.5
	Feb	4.8	41.8	55,952	4,355	122.6
	Mar	5.1	42.2	58,551	3,579	98.7
	Apr	5.0	42.0	59,557	3,957	102.4
	May	4.9	41.8	59,293	4,479	108.2
	Jun	4.9	41.7	63,334	4,367	108.4
	Jul	4.9	41.7	61,910	4,744	112.3
	Aug	5.1	42.0	63,234	4,206	114.3
	Sep	5.0	42.0	64,061	4,763	121.2
	Oct	5.0	42.0	61,392	4,738	127.9
	Nov	5.0	42.2	58,151	4,421	117.1
	Dec	5.1	42.2	58,804	4,823	108.8
1998	Jan	5.1	42.1	57,555	4,711	105.8
	Feb	5.0	41.9	59,896	4,575	111.7
	Mar	4.9	41.9	58,500	4,613	128.8
	Apr	4.5	41.2	57,552	5,084	116.6
	May	4.7	41.8	58,844	4,502	121.6
	Jun	4.8	41.9	54,072	4,705	142.9
	Jul	4.7	41.9	54,244	4,837	117.5
	Aug	4.6	41.7	52,766	4,378	137.2
	Sep	4.5	41.4	50,869	3,745	125.9
	Oct	4.7	41.8	52,740	4,711	137.2
	Nov	4.6	41.7	54,399	4,728	139.9
	Dec	4.6	41.8	53,932	4,602	126.8
1999	Jan	4.6	42.2	53,407	4,930	140.7
	Feb	4.7	41.9	52,466	5,096	137.6
	Mar	4.7	42.0	52,826	6,033	134.6
	Apr	4.7	42.0	52,809	5,080	140.3
	May	4.8	42.0	50,231	5,292	141.4
	Jun	4.7	41.9	51,380	5,506	145.3
	Jul	4.5	41.7	51,205	5,303	148.3
	Aug	4.6	41.5	51,077	5,864	136.8
	Sep	4.6	41.3	50,513	5,848	133.4
	Oct	4.8	41.6	49,289	5,686	134.5
	Nov	4.8	41.5	51,158	5,987	142.6
	Dec	4.8	41.5	45,004	6,477	142.0
2000	Jan	4.9	41.5	52,060	6,500	154.1
	Feb	4.9	41.3	49,021	6,867	157.7
	Mar	4.9	41.4	47,039	8,319	153.0
	Apr	5.3	42.0	45,280	7,552	137.6
	May	5.0	41.6	47,659	6,699	132.6
	Jun	5.0	41.7	49,108	7,191	179.4
	Jul	5.1	41.7	48,486	7,205	133.5
	Aug	5.0	41.7	47,928	7,190	143.3
	Sep	5.0	42.0	48,084	7,133	141.9
	Oct	5.1	41.8	49,364	7,360	142.4
	Nov	4.8	41.5	47,796	7,561	150.1
	Dec	4.7	41.5	52,366	6,256	165.4
2001	Jan	4.4	41.0	49,371	7,472	185.4
	Feb	4.5	41.2	49,269	6,340	151.9
	Mar	4.5	41.1	52,879	6,466	154.1
	Apr	4.0	40.6	54,543	6,250	161.5
	May	4.3	41.0	55,805	6,956	155.1
	Jun	4.3	40.9	54,571	6,236	132.4
	Jul	4.3	41.1	56,673	6,359	130.8
	Aug	4.3	41.3	57,703	7,522	141.4
	Sep	4.3	41.2	60,803	6,070	118.4
	Oct	4.0	40.7	65,267	7,301	142.2
	Nov	3.8	40.5	55,652	7,545	139.9
	Dec	3.9	41.0	47,270	n.a.	175.2

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

COINCIDENT INDICATORS/A

EMPLOYMENT, UNEMPLOYMENT

— . . . —

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1998	Jan	13,407	1,955	6.1	335
	Feb	13,429	1,956	6.1	363
	Mar	13,453	1,958	6.0	365
	Apr	13,490	1,960	6.0	367
	May	13,541	1,964	6.0	355
	Jun	13,580	1,962	5.9	353
	Jul	13,602	1,952	5.9	352
	Aug	13,657	1,951	5.9	358
	Sep	13,706	1,951	6.0	355
	Oct	13,726	1,944	5.8	337
	Nov	13,766	1,936	5.8	354
	Dec	13,800	1,931	5.8	367
1999	Jan	13,787	1,925	5.6	353
	Feb	13,827	1,922	5.6	367
	Mar	13,853	1,922	5.5	372
	Apr	13,904	1,922	5.4	363
	May	13,930	1,920	5.2	374
	Jun	13,954	1,919	5.2	375
	Jul	14,011	1,921	5.1	352
	Aug	14,037	1,919	5.0	357
	Sep	14,055	1,922	5.0	365
	Oct	14,135	1,928	5.0	349
	Nov	14,168	1,929	5.0	347
	Dec	14,205	1,927	5.0	339
2000	Jan	14,256	1,933	4.9	354
	Feb	14,306	1,934	4.9	345
	Mar	14,360	1,937	5.0	348
	Apr	14,409	1,937	5.0	336
	May	14,480	1,940	5.0	328
	Jun	14,507	1,947	5.1	331
	Jul	14,579	1,952	5.0	337
	Aug	14,612	1,953	5.0	341
	Sep	14,644	1,951	4.9	315
	Oct	14,676	1,952	4.9	339
	Nov	14,707	1,953	4.8	347
	Dec	14,759	1,953	4.7	315
2001	Jan	14,714	1,950	4.6	347
	Feb	14,741	1,945	4.5	353
	Mar	14,799	1,944	4.7	353
	Apr	14,818	1,936	4.9	385
	May	14,813	1,932	4.9	419
	Jun	14,821	1,924	5.1	420
	Jul	14,795	1,910	5.0	457
	Aug	14,809	1,898	5.3	482
	Sep	14,783	1,886	5.4	481
	Oct	14,773	1,874	5.8	551
	Nov	14,721	1,864	6.1	517
	Dec	14,721	1,861	6.0	503

INCOME, WAGES, TAXABLE SALES

— . . . —

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1997	Qtr I	839,517	100,201	82,866
	Qtr II	851,775	102,010	84,167
	Qtr III	868,055	104,133	85,968
	Qtr IV	886,882	105,734	87,444
1998	Qtr I	905,328	107,999	87,246
	Qtr II	922,090	110,973	89,126
	Qtr III	936,414	112,450	90,733
	Qtr IV	962,676	118,293	91,120
1999	Qtr I	958,792	116,556	93,739
	Qtr II	983,196	120,572	97,146
	Qtr III	1,006,295	126,985	99,747
	Qtr IV	1,040,889	132,447	103,096
2000	Qtr I	1,076,665	146,164	107,393
	Qtr II	1,081,713	140,108	109,940
	Qtr III	1,115,129	151,037	111,702
	Qtr IV	1,105,572	141,624	112,045
2001	Qtr I	1,135,164	140,994	110,033
	Qtr II	1,116,747	143,632	110,630
	Qtr III	n.a.	n.a.	106,769

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

n.a. Not available

OTHER INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	2000		2001	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	27,067	Jan	31,457
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	27,883	Feb	27,796
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	31,957	Mar	31,866
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	31,128	Apr	28,116
1986-87	24,515	18.4	1996-97	18,477	17.3	May	30,898	May	27,833
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	33,650	Jun	28,995
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	33,222	Jul	28,097
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	35,781	Aug	28,565
1990-91	24,265	19.5				Sep	35,250	Sep	27,219
						Oct	37,506	Oct	29,570
						Nov	34,125	Nov	26,499
						Dec	33,615		

a/ U.S. fiscal year: October through September

TECHNICAL NOTE

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

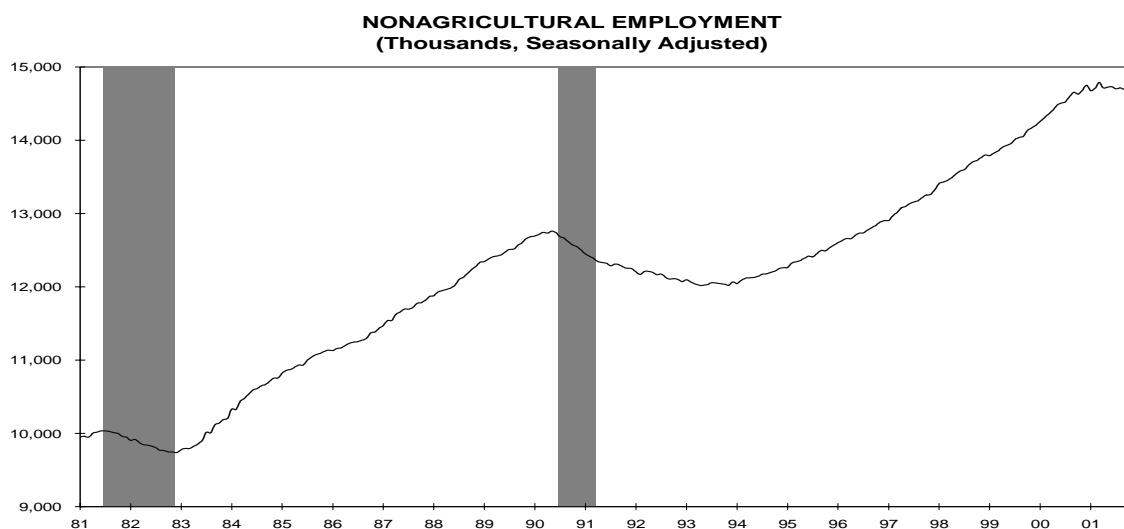
Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)

— . . . —



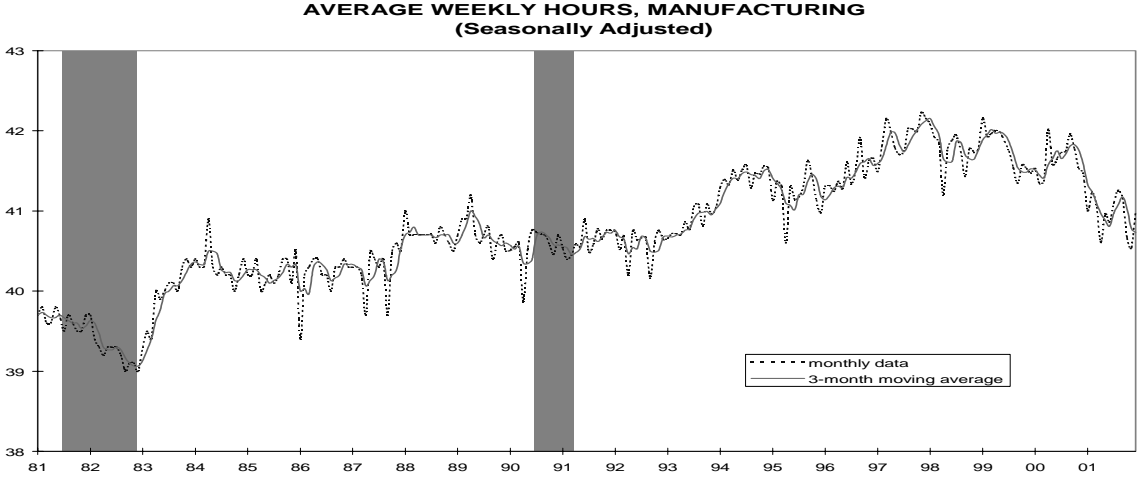
MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)

— . . . —



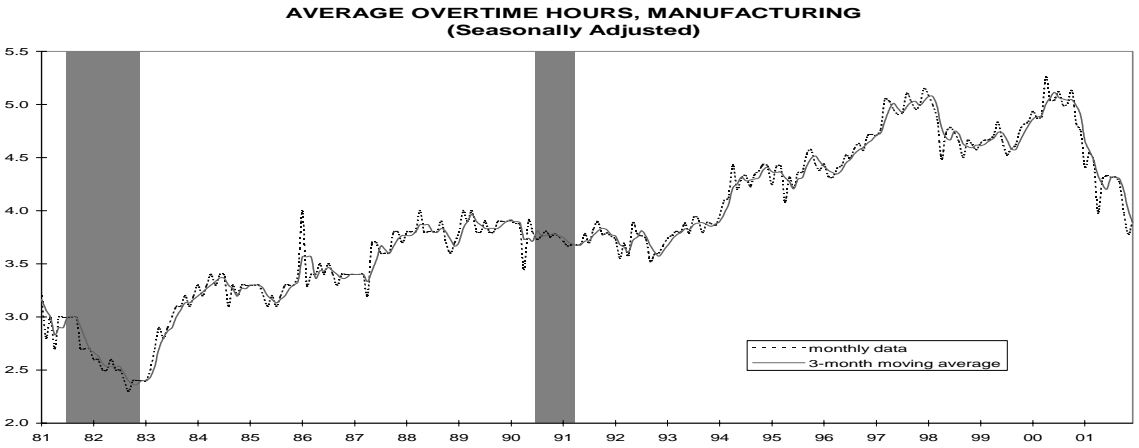
AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —



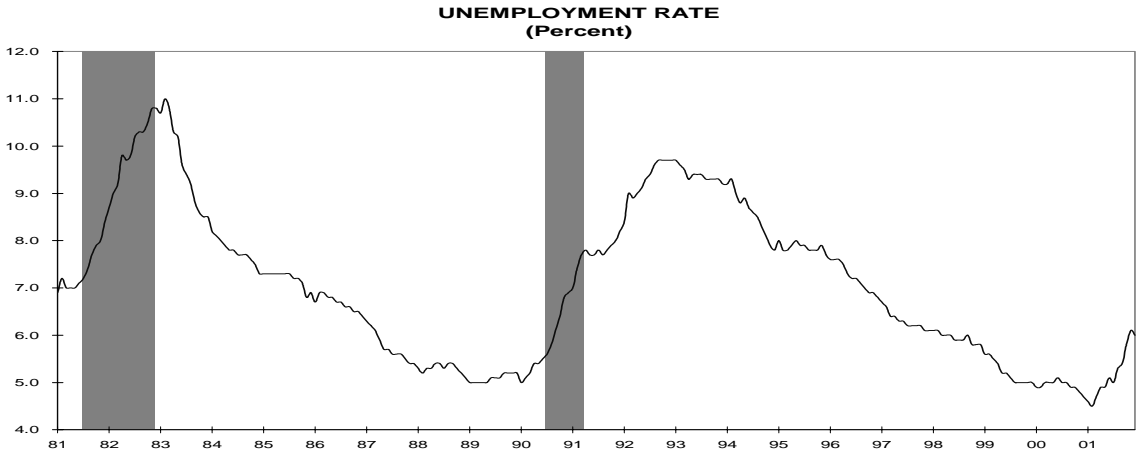
AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —



UNEMPLOYMENT RATE (PERCENT)

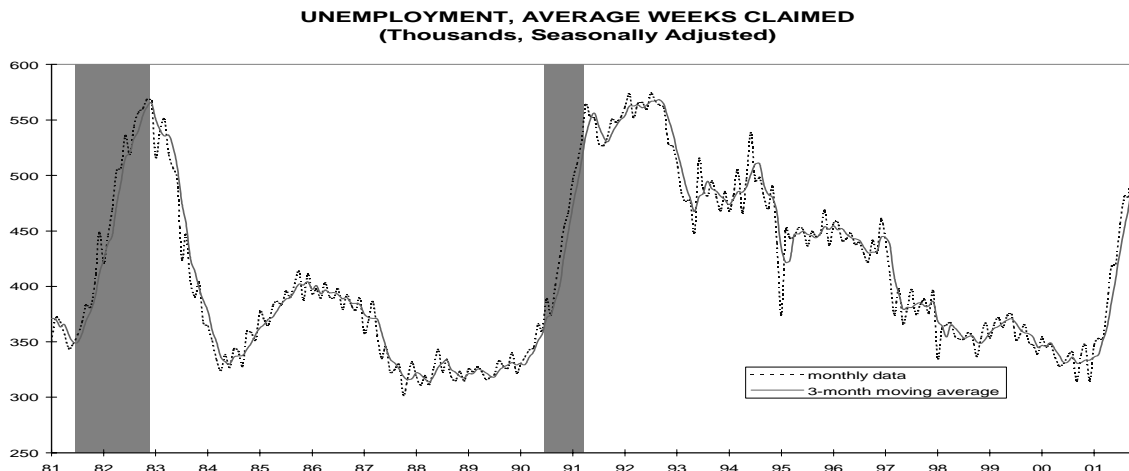
— . . . —



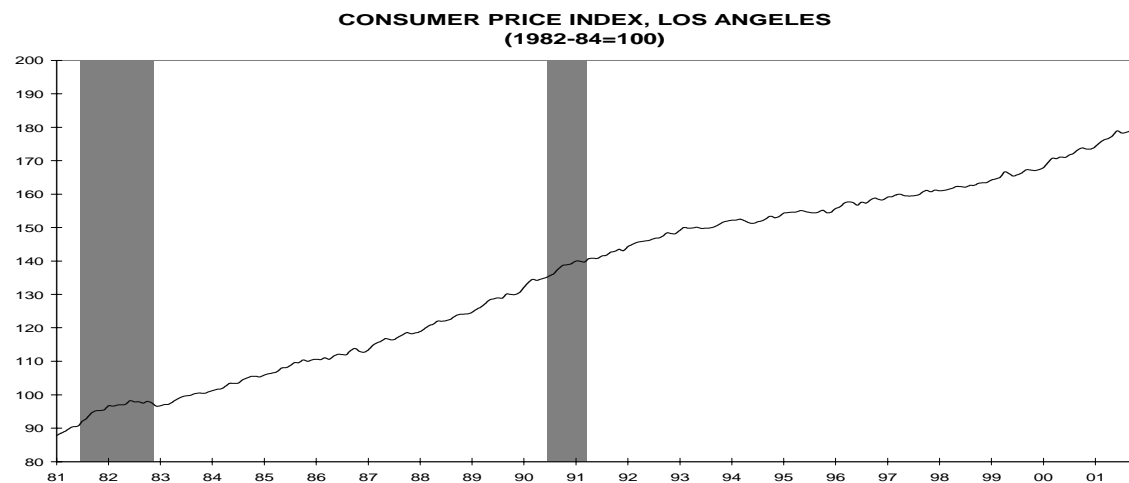
INITIAL & TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE (WEEKLY AVERAGE, SEASONALLY ADJUSTED)



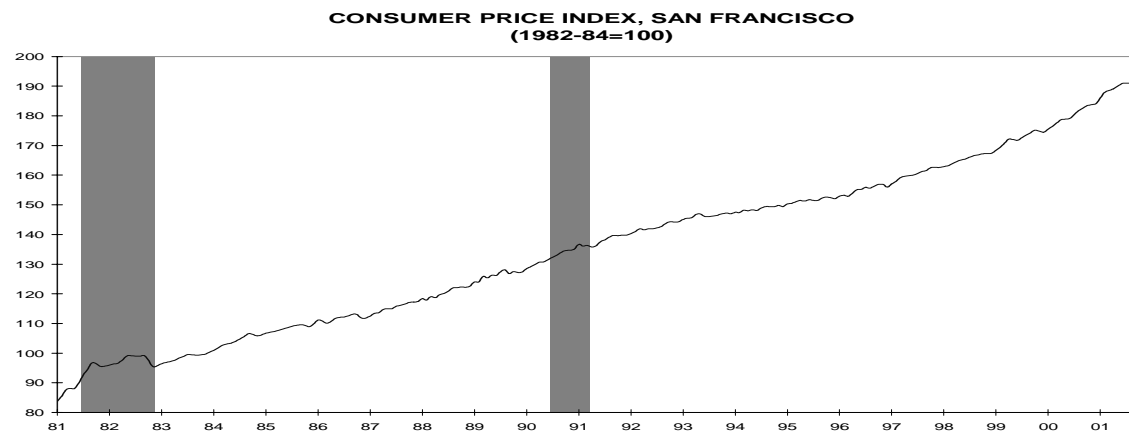
UNEMPLOYMENT, AVERAGE WEEKS CLAIMED (THOUSANDS, SEASONALLY ADJUSTED)



CONSUMER PRICE INDEX, LOS ANGELES (1982-84=100)



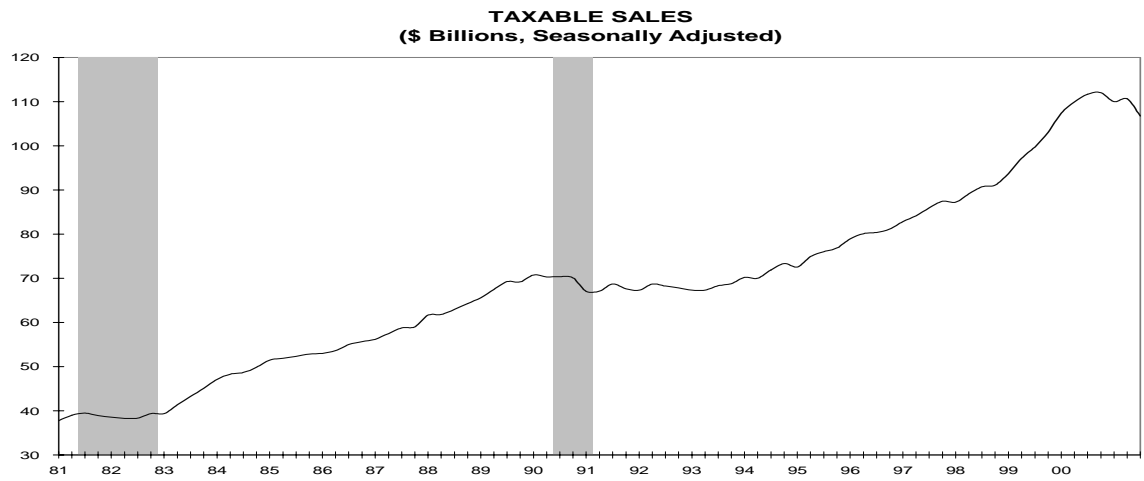
CONSUMER PRICE INDEX, SAN FRANCISCO (1982-84=100)



TAXABLE SALES

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

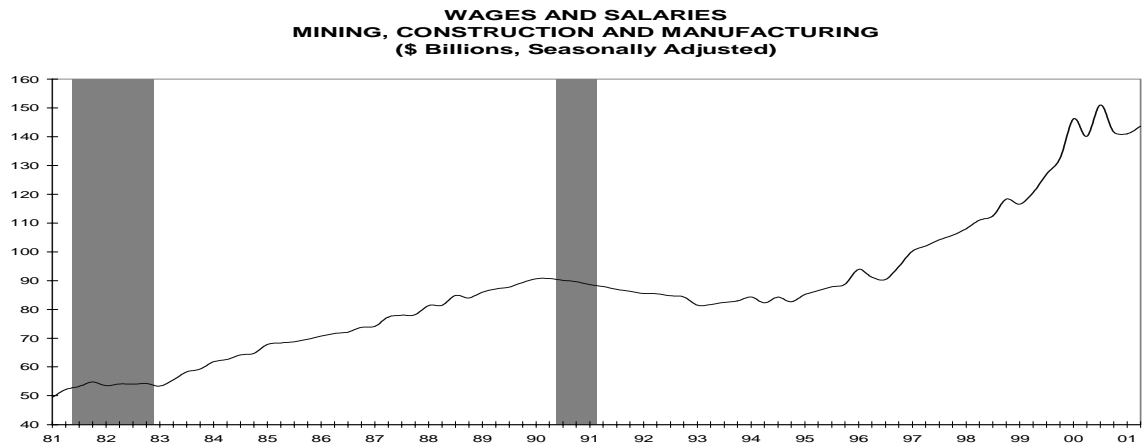
— . . . —



WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

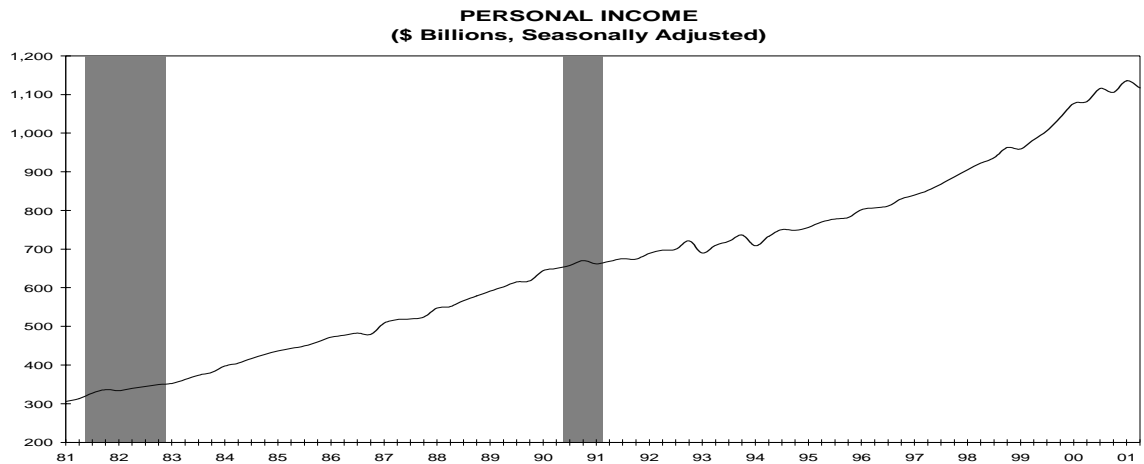
— . . . —



PERSONAL INCOME

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

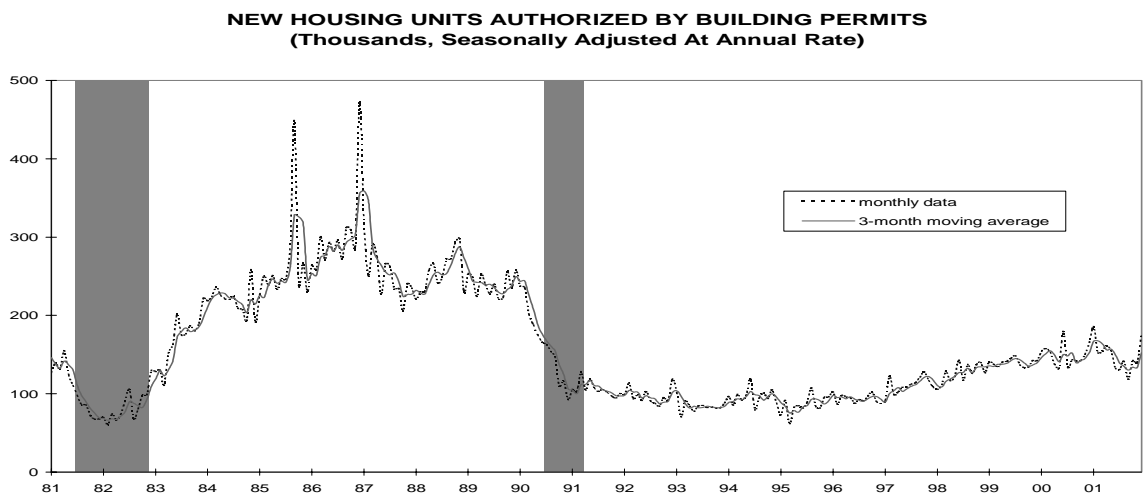
— . . . —



NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

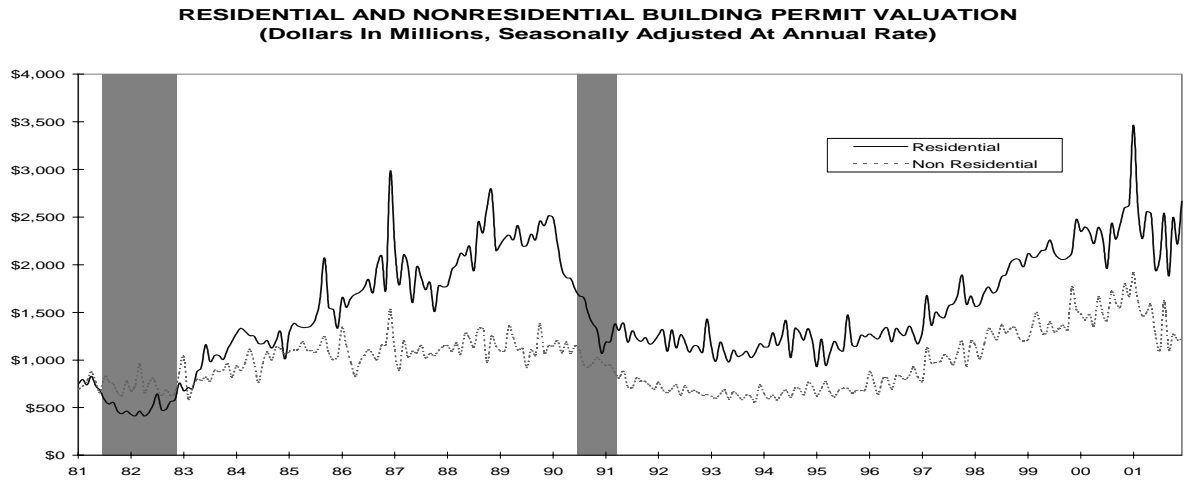
(THOUSANDS, SEASONALLY ADJUSTED
AT ANNUAL RATE)

— . . . —



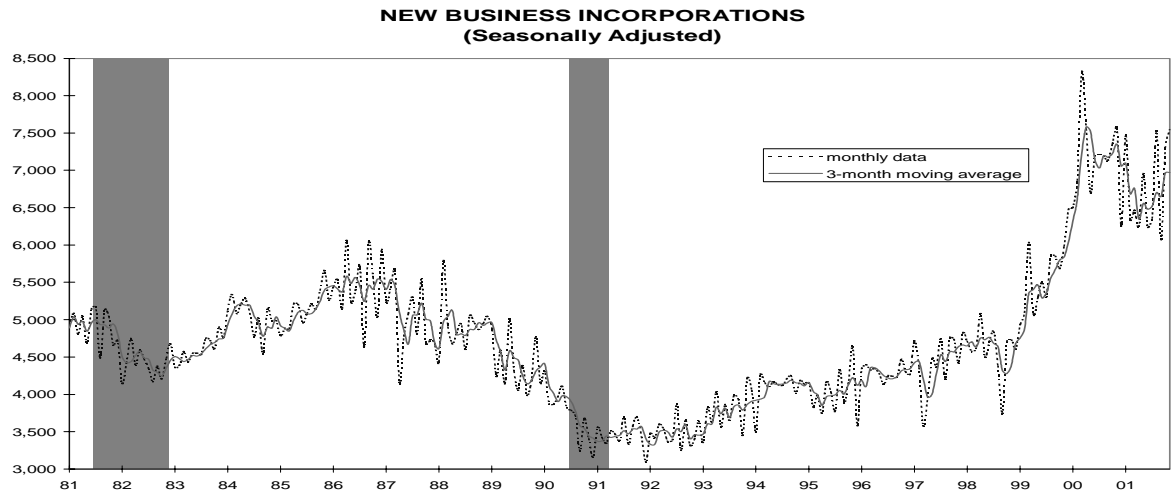
RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)



NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

2000

March 20

Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history.

Crude oil prices drop below \$30 a barrel.

March 21

Federal funds rate raised from 5.75 percent to 6.0 percent.

Discount rate raised from 5.25 percent to 5.50 percent.

March 30

GDP growth rate for 4th quarter was revised upward to 7.3 percent, its strongest pace since 1984.

April 7

President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.

April 10

Wells Fargo & Co agreed to acquire First Security Corporation of Utah.

April 27

First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years.

Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.

May 16

Federal funds rate raised from 6.0 percent to 6.5 percent.

Discount rate raised from 5.5 percent to 6.0 percent.

June 29	GDP 1 st quarter growth rate revised from 5.4 to 5.5 percent.
July 28	GDP 2 nd quarter grew at an annual rate of 5.2 percent.
August -	World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.
September 19	China was granted permanent normal trade relations status with the U.S.
September 28	GDP growth rate for 2 nd quarter was revised to 5.6 percent.
October 18	Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.
October 31	OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.
December 21	GDP for 3 rd quarter grew at an annual rate of 2.2 percent.
2001	
January 1	California's minimum wage raised from \$5.75 to \$6.25.
January 1	The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.

CALIFORNIA
DEPARTMENT
OF FINANCE

915 - L STREET
EIGHTH FLOOR
SACRAMENTO, CA
95814

BEGINNING ISSUE	AMOUNT DUE
JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

MAIL SUBSCRIPTION REQUEST
AND PREPAYMENT
(NO BILLING AVAILABLE) TO:
CA DEPARTMENT OF FINANCE
P.O. Box 151
SACRAMENTO, CA 95801

YOU CAN OBTAIN THE
CALIFORNIA ECONOMIC
INDICATORS,
AND OTHER
DEPARTMENT OF
FINANCE PUBLICATIONS
ON THE INTERNET AT
WWW.DOF.CA.GOV

CHRONOLOGY—CONTINUED

- August 21** Federal funds rate reduced from 3.75 percent to 3.50 percent.
Discount rate reduced from 3.25 percent to 3.00 percent.
- August 29** Second quarter GDP grew at a 0.2 percent annual rate.
- September 11** Terrorists attack World Trade Center and the Pentagon.
- September 11-14** U.S. stock trading halts.
- September 17** Federal funds rate reduced from 3.50 percent to 3.00 percent.
Discount rate reduced from 3.00 percent to 2.50 percent.
- October 2** Federal funds rate reduced from 3.00 percent to 2.50 percent.
Discount rate reduced from 2.50 percent to 2.00 percent.
- October 26** Lockheed Martin Corporation awarded defense contract.
- November 6** Federal funds rate reduced from 2.50 percent to 2.00 percent.
Discount rate reduced from 2.00 percent to 1.50 percent.
- November 26** Recession in the US began in March 2001, according to NBER.
- December 2** Enron filed for bankruptcy protection.
- December 11** Federal funds rate reduced from 2.00 percent to 1.75 percent.
Discount rate reduced from 1.50 percent to 1.25 percent.
China becomes WTO member.
- December 21** GDP down 1.3 percent in Q3.

2002

- January 1** Taiwan becomes WTO member.
OPEC to cut oil production by 6.5 percent.
Euro becomes legal tender in 12 European countries.
- January 6** Unemployment insurance benefits increased in California.
- February 28** GDP up 1.4 percent in Q4.

